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DRAFT #3
14 December 1975

ORGANIZATION AND MANAGEMENT OF THE
FOREIGN INTELLIGENCE COMMUNITY

I. INTRODUCTION

On November 14, 1975, the President directed a study of the organization and management of the foreign intelligence community, including an examination of:

- the basic structure of the Community,
- key problems of organization and management,
- definition of requirements,
- systems design and selection,
- resource allocation,
- guidance mechanisms,
- consumer-producer relationships, and
- relevant recommendations of the Rockefeller and Murphy Commissions.

Based upon the results of these reviews, the study should:

- evaluate the need for changes in the current organization of the foreign intelligence community,
- present options for a possible reorganization of the foreign intelligence community, and
- submit the recommendations of each addressee (the Secretaries of State, Treasury, and Defense, Attorney General, Directors of OMB and CIA, and Chairman of the Joint Chiefs of Staff) on the options presented.

The study group determined that its charge did not include counterintelligence or assistance to law enforcement agencies, because these areas include components outside the foreign intelligence community, primarily the FBI.

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II. PAST AND FUTURE TRENDS

The foreign intelligence community serves a wide variety of consumers. These include the members of the NSC--the President, Vice President, and Secretaries of State and Defense--the Secretary of Treasury, and, to a lesser extent, the Secretaries of Commerce and Agriculture and the economic policy community. These consumers use intelligence to guide policy decisions in the military, diplomatic, political, and economic areas.

Analysts and producers of intelligence include parts of the CIA, the Defense Intelligence Agency, the State Department's Bureau of Intelligence and Research, and various elements in the armed services. Collectors of intelligence include the CIA, the National Security Agency (NSA) and military Service Cryptologic Agencies, the National Reconnaissance Office (NRO), members of the Foreign Service Officer corps and Treasury, Agriculture, Commerce and Defense attaches, and elements of the armed services intelligence staffs. The chart on the facing page displays relationships in the foreign intelligence community.

The Director of Central Intelligence is currently charged by the President with leadership of the Intelligence Community. His four major responsibilities are:

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- Planning and reviewing all intelligence activities and the allocation of all intelligence resources.
- Producing national intelligence required by the President and other national consumers.
- Chairing and staffing all Intelligence Community advisory boards or committees.
- Reconciling intelligence requirements and priorities within budgetary constraints.

The DCI exercises both resource and line control over the CIA. Resource and line control over the Consolidated Cryptologic Program (CCP), the National Reconnaissance Program (NRP), and the General Defense Intelligence Program (GDIP) reside in Defense. The DCI exercises the responsibilities outlined above through his line control over CIA production and collection components, through chairmanship of Community advisory committees on requirements, resources, and production, and through his authority to establish collection requirements and priorities. He is also chairman of an Executive Committee (ExCom) which sets budgetary and operating policy for the National Reconnaissance Program. Finally, the DCI annually presents his recommendations on the total Intelligence Community budget to the President.

Resources and personnel available to the Intelligence Community reached a peak during the Vietnam War and have declined in real terms since. An agency and functional

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picture of the 1976 intelligence budget request is shown on the facing page. CIA has about of the total national intelligence resources with the bulk of its efforts concentrated in human intelligence collection, production, and various support functions. Defense controls almost all other intelligence resources with signals intelligence, photo intelligence, and intelligence-related resources

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III. PROBLEMS IN INTELLIGENCE

The Intelligence Community has made many and varied vital contributions to the national security of the United States. Throughout its history constant efforts have been made to improve the performance of the Community. Inevitably, in any study of this type, the focus must be on problems in intelligence. Problems in intelligence can be viewed in the context of three major objectives for management and organization of the Intelligence Community:

- create proper safeguards against future abuses;
- provide customers with quality intelligence on a timely basis; and
- ensure that intelligence activities are well-directed.

A. Proper Safeguards Against Future Abuses

The current public focus on the Intelligence Community began with a concern over alleged abuses: surveillance of Americans, electronic intercepts, mail openings, and assassination plots. The Commission on CIA Activities within the United States (the Rockefeller Commission) and the Commission on the Organization of the Government for Conduct of Foreign Policy (the Murphy Commission), recent Congressional reports, and our own

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inquiries all discovered that safeguards against abuses, including guidelines, have been inadequate. The Commissions made a number of recommendations aimed at (1) ensuring that top policymakers were aware of possibly questionable activities, and (2) promoting deliberative consideration of such activities, their benefits, and their detrminets. Inadequate safeguards were found within the Intelligence Community, the Executive Office of the President, and Congress.

Although many Community-wide directives have existed for assignment of responsibilities and other management purposes, directives on proper conduct have been rare. The DCI, the leader of the Community, has no clear authority to inspect, except within the CIA. Particular problems of oversight within the CIA, which were identified by the Rockefeller Commission, include the limited roles of the Inspector General and General Counsel, absence of written regulations, and over-compartmentation of some activities. Within the Executive Office, inadequate mechanisms exist to review the legality and propriety of intelligence activities. Responsibilities for propriety rest primarily with the head of each operating component. Within the Congress, oversight of the CIA and other components of the

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Intelligence Community was conducted until quite recently by a senior group of Senators and Congressmen. This small group of Congressional overseers reviewed Community activities and approved intelligence budgets.

The recurring theme in oversight and safeguards against abuse at all three levels is the inadequacy of review mechanisms and insufficiency of attention to propriety. Because attention was not focused on this responsibility, certain activities were conducted without the top level attention they merited.

B. Quality Intelligence on a Timely Basis

Some Congressmen have been critical of the Intelligence Community for not having been sufficiently astute in predicting and alerting policymakers to impending major events and crisis situations such as the 1973 Middle East War. Over the years, however, the Community has also dealt with many different kinds of crises, such as the 1967 Middle East War, successfully. Success or failure in anticipating and reporting events has varied and has been dependent on a variety of factors including the accuracy and perception of the estimative judgments of the Community and the sufficiency of timely, relevant, and accurate intelligence from which judgments of intent could be derived.

The Community's performance in longer term estimative analysis has been equally chequered and is complicated by the difficulty in producing estimates which senior policy officers agree really address their problems and concerns. The estimative process forces an orderly review of all new intelligence and analysis on important substantive issues, forcing old assumptions to be tested and discarded or revalidated. Estimative papers dealing with military intelligence are generally regarded as useful. Those involving political and economic estimates require improvement. The NSC staff and Defense generally regard estimative papers as useful. State and Treasury rely more heavily on their own analytic resources and feel that more use could be made of national estimates if policy officials provided more guidance as to their needs.

It is the responsibility of Intelligence Community leaders to structure and guide the Community so that it produces quality intelligence product for consumers. The issue of quality intelligence on a timely basis extends deeply into the management of the whole effort. It includes the process by which resources are allocated to collectors, processors and producers; the way the production community is organized and staffed; the quality of collection and production organizations; the nature of the research and development efforts and even programs which provide necessary support for intelligence activities. Thus, the question of the quality of intelligence ultimately involves almost every area of the Community.

Any consideration of the future structure of the Intelligence Community must consider the quality of the product and its relevance to consumer needs. Yet, leadership of the Community has legitimate and demanding concerns with the management of resources and will devote substantial time and effort to relationships with Congress as Congressional committees are likely to increase their interest in the budgets and programs of the Community. Despite these responsibilities, the ultimate purpose of the whole intelligence apparatus is to produce high quality and timely intelligence. In any changes which may be made in the Community structure (or even if it is left substantially as it exists), the leadership of the Community must devote major attention to production of intelligence.

Consumer relations with the Intelligence Community. While intelligence produced for policy-makers in recent years has improved in quality and timeliness, certain problem areas remain that impact adversely on the intelligence product and on the efficiency of the intelligence process. There is inadequate guidance and feedback by senior policy officials, compounded by a traditional reluctance to make certain sensitive policy or operational information available to intelligence officials. When intelligence personnel are informed of policy and operational matters, their appreciation of the priority issues are vastly improved. The active participation of CIA, DIA, and INR in the SALT and MBFR negotiations, for example, is considered an ideal model for intelligence working relations with policy elements.

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The NSC Intelligence Committee (NSCIC) has been criticized for not performing the product review and consumer guidance functions for which it was organized. However, the NSCIC working group has recently met regularly, has provided some guidance on requirements, and has initiated a consumer survey.

Consumers are often inadequately informed as to the resource implications of their requirements. Although they need not be intimately involved or knowledgeable concerning the details of the intelligence resource allocation process, they should be informed when the direct cost magnitude of their intelligence requirements has significant cost or trade-off implications.

Crisis management. The policy-level consumer relationship becomes especially crucial during crises. It is essential that intelligence analysis in critical circumstances proceed from an understanding of operational policy decisions so that the likely reactions of the other side can be assessed. The White House, State, Defense, and the DCI all have major roles to play in devising improved procedures to develop better intra-agency, inter-agency, and White House ties.

In times of crisis, each Agency organizes itself to maximize support for its chief who participates in crisis management decision-making through the NSC's Washington Special Action Group or less informal arrangements. These generally work well; but, there is little overall coordination of agency activities, and they often result in a large volume of unevaluated information at the top. Timeliness of intelligence reporting has taken precedence over careful analysis and inter-agency coordination. The future challenge is to

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ensure adequate analysis and timely reporting and to provide for inter-agency analytical cross-talk.

National intelligence support to field commanders. National intelligence systems provide information to military commanders at the level of detail needed for planning and conducting military operations, but their utility as wartime assets remains to be tested. Military intelligence is considered by the combat commander as an essential element of his force. National intelligence assets offer great promise of meeting the commanders' intelligence needs; but, if the national assets cannot meet requirements for timeliness, accuracy, availability, dependability, and survivability in a combat environment, they cannot be considered viable wartime assets. Combat commanders are understandably reluctant to become overly dependent on national intelligence systems. An effort is currently under way to provide processed information directly to military commanders at the theater level and below.

Secrecy and compartmentation. Access to intelligence information at both the policy and operational levels requires special clearances, which are considered necessary to protect sources and methods of intelligence and other sensitive information from unauthorized disclosure. A classification system established by an Executive Order, reinforced by unusual employment termination authorities granted the DCI over the CIA and the Defense Department over NSA employees, and a series of less than airtight criminal statutes are used with varying degrees of effectiveness to protect intelligence. For many years, the Intelligence Community has felt that these procedures

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and sanctions are inadequate to accomplish their task and to allow the DCI to fulfill his statutory responsibility to protect sources and methods.

In part because of the inadequacy of classification and statutory sanctions, a number of special control systems for particular types of intelligence information have been developed. Growth of such systems has led to parochial baronies with a vested interest in the permanence of their domains. Nevertheless, genuinely sensitive material must be protected; and compartmentation, properly applied, permits a broader dissemination of less sensitive material while protecting the most sensitive. Procedures to remove classified information from control systems are usually elaborate and time consuming. A major system liability is the difficulty of ensuring that consumers have access to the kinds of intelligence products their jobs require. Much has been done to sanitize and decontrol product to make it more widely available. More remains to be done.

Not only do separate control systems hamper the dissemination of intelligence information; they also inhibit useful intelligence analysis and production. Compartmentation procedures artificially divide the intelligence data base and make it difficult -- in some cases, impossible -- to store and integrate information collected at great costs.

C. Well-Directed Intelligence Activities

The National Security Act of 1947 gave to CIA the responsibility to advise and make recommendations to the NSC and to correlate and evaluate

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intelligence relating to the national security. Existing Presidential directives state that the DCI "shall assume leadership of the Community in planning, reviewing, coordinating, and evaluating all intelligence programs and activities, and in the production of national intelligence." Today, the DCI has resource decision and line control authority over one part of the Intelligence Community -- the CIA. His responsibility to set requirements and priorities for collection is established in NSCID's and exercised through a variety of committees and ad hoc arrangements. The DCI must coordinate all national intelligence resources to assure that military, economic, and political concerns receive appropriate emphasis. The increasing capability of national collection assets to provide intelligence to field activities calls for increasingly closer inter-agency cooperation.

Peacetime/wartime transition. In peacetime, centrally-managed technical collection systems such as the National Reconnaissance Program and the Consolidated Cryptologic Program are controlled by a variety of mechanisms in which the DCI's influence varies. In wartime, Defense intelligence requirements are paramount.

For transition to wartime, the Joint Chiefs of Staff and the DCI have concluded formal understandings governing military/CIA command relationships at the theater level in war and contingency situations. There is, however, no peace/war transition agreement at the national level. Closely related is the question of whether existing arrangements provide for an effective

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transition to crisis and hot war conditions. Formal agreements concerning the role of the DCI and CIA in support of DoD in time of war could enhance collaboration between the two organizations in time of peace.

Control over Community resources. The DCI has direct resource control over the CIA, less direct control but substantial influence over the National Reconnaissance Program, and influence through the requirements process and annual submission of a consolidated budget over the General Defense Intelligence Program and Consolidated Cryptologic Program.

Budget development and execution occurs primarily within the departments, consistent with the locus of final resource authority. However, budget development for the National Reconnaissance Program is not handled solely within one department but rather by an Executive Committee (ExCom) made up of the DCI and the Assistant Secretary of Defense for Intelligence.

Although the budget is handled primarily within the departments, the DCI submits each year a set of program recommendations to the President for his consideration in preparing next year's budget. In this document the DCI discusses important aspects of the U.S. Foreign Intelligence Program, presents his position on budget issues, and displays a recommended level of Community resources for the coming year. Because it is superimposed on the normal budgetary process, there have been problems of timing associated with this submission. It must be formulated after the preliminary budgets are formed and the issues defined and debated, but before the President's budget is assembled. the DCI also uses two inter-agency review mechanisms:

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- The United States Intelligence Board (USIB). The USIB was established to advise the DCI on a variety of intelligence subjects. The USIB identifies information needs and requirements. They influence resource levels when the information requirement can be readily translated into resource requirements.
- Intelligence Resources Advisory Committee (IRAC). The IRAC was established to advise the DCI on the preparation of the intelligence budget and the allocation of resources among programs. It has as members the DCI and senior representatives from the Department of State, the Department of Defense, the Central Intelligence Agency and OMB. IRAC is not a decision forum.

There is no single central controller of intelligence resources. Trade-offs among collection, processing, and production functions seldom are made because of the diverse budget review process. The nature of intelligence makes it most difficult to relate resource inputs to product outputs. While there is some tie between processed intelligence input and finished analytical output that can be documented, the relationship of either to processing and collection activities except in isolated circumstances is difficult to trace or quantify. Further, decisions tend to be made in terms of particular sensor collection capabilities to the exclusion of consideration on an across-the-board basis among available resource options.

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Clandestine collection and covert actions. CIA, and to a very limited extent the military services, carry out clandestine collection (i.e., espionage) abroad. The importance of such collection remains high in learning as much as possible about the secret activities, plans and intentions of foreign states.

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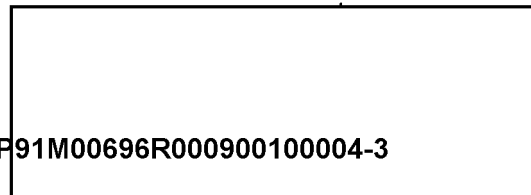
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A distinctive problem of intelligence direction involves the conduct of covert actions. Such actions including both political/psychological projects and paramilitary warfare, have been carried out by the CIA almost since its inception. Proposals for moving covert actions out of the CIA have been made many times, but have always been rejected. It has been argued that separation of covert actions from CIA could enhance control by the NSC, reduce the chance of bias in CIA analytical judgments which might arise from Agency involvement in such activities, and promote public confidence.

Review, coordination, and approval of covert operations is the responsibility of a subgroup of the NSC, the 40 Committee. The Murphy Commission and Congressional observers have criticized this committee for inadequate deliberation and staff support and for failure to represent a broad enough diversity of interested policymakers. At times in the past, 40 Committee meetings have not been held; decisions were made by phone or written correspondence. Inadequate time for staff consideration has been a criticism both within the government and outside. Although 40 Committee's charter calls for annual reviews of ongoing programs, this direction has not always been followed. The Attorney General has served on the 40 Committee or its predecessors at times in the past, but served not as the government's chief legal adviser but as a close and trusted Presidential aide.



D. A Need for Change?

Since 1947, major changes have occurred in the size and scope of the responsibilities and activities of the Intelligence Community. Over this period the basic structure of its top leadership has remained the same. A wide assortment of committee arrangements has been developed to better advise the DCI, who has coordinating authority, and managers within the Community, who have resource and line authority.

In the oversight area, new arrangements seem required. Although the publicity of the last year was probably the most effective safeguard possible against improprieties, the preferred structure for the future is not continued exposure, but rather sound oversight within the Community, at the Executive Office level, and in Congress.

With respect to the management and control of Intelligence Community resources, the 1971 Presidential Directive gave the DCI a resource review responsibility for the entire Intelligence Community but no statutory or fiscal authority to enforce such a responsibility. Arguments for centralization based upon the growing resource management task stress the DCI's lack of real authority. Arguments stressing the need for greater, or at least unimpaired, Departmental authority, point to the substantial influence that the DCI has exercised under present directives and arrangements.

Arguments for centralization further point to the Intelligence Community's increasing reliance on expensive collection systems which require central management to serve the full range of potential consumers -- civil and

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military, in Washington and in the field. Arguments stressing departmental roles and responsibilities contend that major technological collection programs, such as the National Reconnaissance Office and Consolidated Cryptologic Program have worked well, are responsive to national requirements, and represent a form of Community management that is both decentralized and efficient. Proponents of major organizational change believe that new institutional arrangements at the top of the Community are necessary for effective consideration and solution of many complex problems. Opponents on the other hand, believe major organizational change is not required but would be disruptive, reduce morale and actually decrease efficiency, at least in the short run.

As a final point, it is generally agreed that the House and Senate Select Committees are likely to make major proposals for reorganization and that the President would be well advised to set forth his own proposals which could be useful as guides for Congress in its deliberations. On the other hand, while such proposals will be advanced, there is no certainty that Congress will act in the upcoming election year.

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IV. ACTIONS TO PREVENT ABUSES

Recent events have demonstrated the need for improvement in existing control procedures over the Intelligence Community within the Executive Branch and in Congress. Changes in both organization and procedures to provide additional control are examined below.

A. Guidelines for Propriety and Restrictions

There is a need for a code of standards for the conduct of intelligence activities. A draft executive order has been prepared for intelligence agencies (excluding the FBI) which sets restrictive guidelines for domestic activities (e.g., mail opening, infiltration of dissident groups, illegal electronic surveillance, inspection of tax returns, collection of information on US citizens and testing drugs) and which limits activities which can be taken to protect intelligence sources and methods. Approval and dissemination of this executive order is a necessary first step toward providing the guidelines within which the Intelligence Community must operate.

B. Oversight

A number of legislative proposals have already been introduced to enhance the Congressional oversight role. Two distinct possibilities emerging from Congressional interest are:

- Establishment of a joint oversight committee with responsibilities to review all intelligence activities; and
- Establishment of an increased GAO role in review of intelligence.

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Against this backdrop, three tiers of potential options exist for the President:

1. Executive Branch oversight -- within the Intelligence Community.

As pointed out earlier, the DCI currently utilizes an Inspector General (IG) to review only CIA activities. Each agency is responsible for carrying out an inspection function for all its activities, but the special clearances and sensitive aspects of intelligence functions have inhibited deep scrutiny in the past. Two options can be considered:

- Strengthen the inspection function in each agency; or
- Establish a Community-wide IG under the DCI.

Selection of a Community IG should reflect the planned future role of the DCI and be made in the context of a decision on the need for a Counsel to the President as addressed in the following section. While the need for either a Community IG or oversight at the Presidential level is fairly clear, a serious question exists as to the need for both. Conflicts may arise between a Community IG and the intelligence agencies regarding access and degree of authority.

2. Executive Branch oversight - outside the Intelligence Community.

A decision in this area must address the following:

- usefulness to the President of an independent oversight official,
- ability to gather useful information, and
- public perception of the change -- substantive or cosmetic.

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Three options exist:

- The Attorney General, who would advise the President through use of a staff established within Justice to monitor intelligence activities; or
- A Special Counsel to the President, together with an appropriate staff, who would be responsible for advising the President on the legality and propriety of intelligence activities, or
- A government-wide Inspector General who would also respond to improprieties in Federal activities beyond the Intelligence Community. The new IG could advise the President directly on all such activities. His appointment would demonstrate a willingness to address other Executive Branch improprieties.

3. Executive Branch oversight - by outside Government personnel.

Another approach to oversight involves the use of a non-government group to advise the President. Two options are identified:

- Adding an oversight responsibility to the President's Foreign Intelligence Advisory Board (PFIAB); or
- Establishing a new oversight group.

The Rockefeller and Murphy Commissions both strongly endorsed the concept of expanding the PFIAB charter. The key question to be resolved here is the extent to which an advisory group (even with a permanent and expanded staff), meeting on an occasional basis, can provide an effective grip on ongoing

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intelligence operation. Including the PFIAB charter would suggest a more diversified membership. Determination of whether to use the PFIAB or to establish a new group will hinge on consideration of the extent to which the PFIAB's primary role in the past -- encouragement of the Intelligence Community to do the best job possible -- would be diluted by, and perhaps even conflict with, this new responsibility.

C. Intelligence Policy Coordination

A number of intelligence activities impact on policies -- domestic, diplomatic, and military -- outside the Community. The NSC has the statutory duty of integrating domestic, foreign, and military policies. This duty is currently carried out through NSC directives and NSC committees. Coordination of intelligence activities, in large part due to their highly sensitive nature, remains a difficult problem.

A reexamination of the organizational focus within the Executive Office should address:

- The ability to coordinate the efforts of foreign intelligence, counterintelligence, and domestic intelligence on specific projects; and
- The public and Congressional perception of Executive Office control over all intelligence activities.

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Three options are identified:

- **Expanded Use of NSC Structure.** The NSC structure could be better used to integrate policies involving domestic and foreign intelligence. NSC Committees could be augmented to include Justice and Treasury. Other departments could be brought in as the subject demands. Either a new committee could be established or the responsibility assigned to the NSC Intelligence Committee could be expanded.
- **Intelligence Adviser to the President.** One person or office could be assigned responsibility for integrating these interagency policies affecting foreign and domestic intelligence activities. A special adviser would have some authority and high public visibility. Ad hoc committees could work with the intelligence adviser staff on designated problems; oversight responsibility could also be assumed. Conflicts with the NSC could be anticipated, however, because the special adviser's responsibilities would overlap those of the NSC.
- **Improved DCI/Agency Coordination.** Foreign and domestic policy considerations involving intelligence efforts could be handled through existing informal mechanisms directly between the DCI and involved agency heads without White House participation. This would require reexamination of the current role of the DCI.

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D. The 40 Committee

The NSC's 40 Committee provides policy approval for covert actions. The group is chaired by the National Security Adviser and includes the DCI, State, Defense, and the Joint Chiefs. The Attorney General is formally a member but has not been an active participant in recent years.

While formal review procedures have been established, there is a general perception by Congress and independent commissions that there has been an inadequate substantive review of proposed actions. Improved review might be achieved by:

- Reinstating formal committee meetings on all significant covert/sensitive requests;
- Redesignating the Attorney General as a committee member with additional representation from other departments as the subject demands (with attention paid to possible conflict of roles for the Attorney General if he is designated as the President's intelligence inspector); and
- Adding staff to provide non-departmental substantive analytic input on the need, risk and potential benefits of each operation.

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V. INTELLIGENCE COMMUNITY ORGANIZATION OPTIONS

The study group examined a wide variety of Community leadership alternatives, ranging from total centralization of all intelligence resources and programs to elimination of any central intelligence coordinator, before arriving at four organizational options that offered sufficient promise to be analyzed in depth. Key elements under these leadership options are:

- Identification of the overall leader of the Intelligence Community and definition of his place within the hierarchy of the Executive Branch and the Intelligence Community;
- Specification of operational responsibilities;
- Specification of analytic and production responsibilities;
- Specification of resource responsibilities;
- Definition of the jurisdictions and organizational inter-relationships of the major components of the Intelligence Community.

Certain elements are common to all options. All would accommodate an intelligence leader who could either continue in his traditional role as adviser to the NSC or himself become a member of the NSC. Full NSC membership, by increasing his stature, would strengthen his role within the Intelligence Community; but the conferral of Cabinet rank or statutory direct access to the President could serve the same purpose. Retention of the adviser role has the advantage of keeping intelligence separate from policy and precludes over-identification of the Government's chief intelligence officer with specific policy choices.

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All options would accommodate an enhanced Inspector General for the Community leader to ensure legality and propriety in the conduct of intelligence activities. The more control the leader of the Community has, the more authority and access his Inspector General would have.

All options envisage the head of the Intelligence Community as Community spokesman in relations with Congress including the presentation of an overall intelligence budget and provision of substantive intelligence. The extent to which the DCI speaks for the Community with the Congress is greater under options envisaging increased centralization than in those stressing departmental roles.

Finally, all options contemplate relieving the DCI of responsibility for day-to-day management of CIA and of responsibility for reviewing tactical intelligence resources.

Depending on the decisions taken, the leader of the Community will require time to review in depth the factors that bear on the collection and production of foreign intelligence.

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OPTION #1

CENTRALIZED NATIONAL INTELLIGENCE PROGRAM

RATIONALE

This option is based on the premise that the present intelligence system suffers from a division of responsibility and control of resources and operations, and that the best approach to the problem is to centralize every element that reasonably can be centralized -- the CIA Program (CIAP), the Consolidated Cryptologic Program (CCP), and the National Reconnaissance Program (NRP). This option assumes that the gains in centralizing intelligence resources outweigh any disadvantages resulting from transferring some collection agencies from their primary customers. This new department would serve the Government's intelligence needs much as the Justice Department serves legal needs.

SUMMARY DESCRIPTION

The major and most costly national intelligence activities, CIAP, NRP, and CCP, would be combined under a Cabinet level department, headed by a Secretary of Intelligence. Departmental analysis and production centers would be retained, permitting the presentation of contrasting points of view in national intelligence production.

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While this option creates the maximum centralization of intelligence of all options presented, it does not encompass all intelligence. Thus, departmental intelligence components remain elsewhere, because it is deemed impractical to split them from their parent organizations.

PRIMARY CHANGES AND EFFECTS

Leadership of Community

The Secretary of Intelligence would be in charge of a Cabinet-level Department, with line authority over national foreign intelligence activities, including the CCP, NRP, and CIAP. This provides the maximum leadership authority of all the options.

Operational Responsibilities

The Secretary of Intelligence would be fully responsible for operational and other aspects of national intelligence, including the CIAP, the CCP, and the NRP.

Resource Responsibilities

The Department would include the budgets of the three major national intelligence programs--the CCP, NRP, and CIAP--which the Secretary of Intelligence would review and approve. The Secretary of Intelligence would submit recommendations on the overall intelligence budget to the President through OMB.

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Collection Responsibilities

All collection elements included within the CIAP, the CCP, and the NRP would be contained in the Department of Intelligence. Their organization would be left to the Secretary of Intelligence.

Production Responsibilities

Production of national intelligence (national current intelligence production, national estimates, maintenance of national intelligence data, and specialized intelligence research) would be centralized in the Department of Intelligence, but other departments would continue to produce departmental intelligence. The nucleus for the production component would be the production elements of what is now CIA, possibly with augmentation from analytical elements of other departments.

Committee Structure

The Secretary of Intelligence would have authority to settle disputes without recourse to the present Committee structure; however, some form of committee structure would be required for day-to-day coordination with other Departments.

Effect on Intelligence Product

Centralization of control over national programs under the authority of one individual could result in improvements

in overall product quality as collection, processing, and production resources are focused on highest priority problems. However, diversity and competition of views will be submerged to the extent that production is centralized at the expense of the departments.

Effect on Intelligence Management

Combining resource and management control in one department could result in the most effective and efficient intelligence management system of all options by eliminating conflicts between responsibility and control. A shortcoming is the possibility of decreased responsiveness to the requirements of Defense which currently generates the preponderance of intelligence requirements. At the outset, realignment and reorganization would be unsettling and would adversely affect efficiency.

The proposal to establish a new National Intelligence Department would encounter major Congressional and departmental opposition.

Finally, establishment of a Department of Intelligence would focus attention on the intelligence budget and might increase demands for more open consideration of it.

OPTION #2

CENTRALIZED RESOURCE CONTROL

RATIONALE

This option is based on the premise that there is a need for a strengthened DCI, but that Defense, with its military requirements, must retain a strong voice in the management of certain intelligence assets now under its direct control. This option strengthens the DCI by giving him resource control over the national intelligence programs -- the CIAP, the NRP, and the CCP -- while leaving Defense's operational control intact. The DCI is separated by statute from the CIA, reducing the conflict between his present roles as head of the Intelligence Community and head of the CIA. These changes are intended to strengthen the DCI and make him the leader of the Community, while having no vested "interest" in any one segment of the Community.

SUMMARY DESCRIPTION

The DCI would be separated from CIA and renamed the Director General for Intelligence (DGI). He would have no operational responsibilities but would continue to be the President's chief intelligence adviser. He would have control over the national intelligence budget which includes CIAP, the CCP, and the NRP. Defense would continue to manage the NRO and the CCP, and a newly created Director, CIA would manage the CIAP. The Director, CIA would report to the NSC through the DGI.

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A variant of this option discussed as Option #2A below would give the DGI direct management responsibility for intelligence analysis and production.

PRIMARY CHANGES AND EFFECTS

Leadership of Community

The DGI would be charged with overall policy direction for the Intelligence Community, without direct line management over any of its operational elements. DGI leadership authority would rely on resource control and independence from agency ties. A Director, CIA, would be responsible for day-to-day management of CIA and for management of national intelligence production, drawing on other agencies, as now.

Operational Responsibilities

The DGI would have a staff similar to the present DCI Staff, i.e., National Intelligence Officers and the Intelligence Community Staff, but no operational responsibilities. Operational control of the NRP, the CCP, and the GDIP would be retained in Defense. Operational control of the CIAP would be vested in a Director, CIA.

Resource Responsibilities

The DGI would control budgets for the three major national intelligence programs -- the CIAP, the CCP, and the NRP. Funds for these programs would be appropriated to the DGI for reallocation to program managers. The DGI would submit recommendations on the overall intelligence budget to the President.

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Collection Responsibilities

The DGI would provide guidance concerning information requirements for national intelligence, review the adequacy of collection requirements developed by the Community and make recommendations for necessary improvements. The DGI would use his control over the budgetary process to insure adherence to his policy guidance.

Production Responsibilities

The DGI would be directly responsible through his NIO Staff for the production of national intelligence estimates. He would be responsible for providing guidance to the Intelligence Community on needs and priorities and for arranging for the provision of direct support to the President, the NSC, and Congress.

The DGI would require USIB, IRAC, ExComs or similar bodies to insure effective coordination and integration of resource and operational matters. This option presents an opportunity to streamline the committee structure.

Effect on Intelligence Product

By giving the DGI basic authority over the resource allocation process, he should be able to focus collection systems on high priority production requirements and to evaluate the performance of both collectors and producers in meeting consumer needs. Although there is the danger that the needs of military consumers will be adversely affected by the DGI control over

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resource decisions concerning the CCP and the NRP, Defense operational control over the CCP and the NRP would be an offsetting factor.

Over the longer term, development of a resource review process in which fundamental trade-offs can be considered, and costs and benefits can be evaluated, could have a positive effect upon overall product quality. However, such a review process will focus on trade-offs among competing intelligence systems, rather than trade-offs between intelligence activities and combat capabilities.

Effect on Intelligence Management

The changes proposed would give one individual, the DGI, effective authority to establish a comprehensive and integrated resource review process for the three major national intelligence programs. This arrangement allows the DGI to establish priorities and effect trade-offs in developing an optimal intelligence program. By leaving operational control over the CCP in Defense, and by maintaining a divided responsibility for management of the NRP, Defense would continue to exercise significant control over these programs -- in order to satisfy essential military requirements.

A potential problem with such an arrangement, most particularly in the case of the CCP, is whether a program manager could efficiently carry out his responsibilities while reporting to Defense on operational matters and to the DGI on resource matters. This could also create problems in ensuring that Defense planning was adequately related to resource decisions made by

an independent DGI. However, analogous procedures, including the NRP ExCom, exist elsewhere in government.

OPTION #2A

This option is identical in all respects to Option #2 except that, under this variant, in order to concentrate his efforts on improving the national intelligence product, the DGI would retain full responsibility for line management of present CIA production components.

The principal advantage of this variant is that it would give the DGI line control over production resources to carry out the substantive responsibilities given to him under the option. Also, it would disassociate present CIA production elements from operational components of CIA. The principal disadvantage of this variant is that it gives the DGI line management responsibility for a production program, thereby reducing his ability to carry out an impartial resource management role as established for him under the basic option.

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OPTION #3

DEPARTMENTAL EMPHASIS

RATIONALE

This option is based on the concept that an independent DCI with broad coordination powers in intelligence is vital to the Intelligence Community to respond to the needs of national-level decision-makers, that the independence of the DCI within the Intelligence Community is compromised by his ties to the CIA, and that the responsibilities of the Department of Defense require a major voice for the Secretary of Defense in the development and management of intelligence assets. This option attempts to increase the DCI's stature as an independent leader of the Community by divesting him of his management responsibilities over the CIA. Resource control would reside in the departments and agencies.

SUMMARY DESCRIPTION

Under this option, the present DCI structure would be disestablished, and the position of the National Intelligence Advisor (NIA) would be established. The NIA would be organizationally separated from the CIA. The CIA would be rechartered under a Director (D/CIA) reporting to the NSC through the NIA. Most present CIA SIGINT functions would be consolidated in the CCP in Defense. The NIA would have the primary responsibility of providing substantive intelligence support to the President and the NSC. Through his chairmanship of the IRAC and the NRP ExCom, he would have a role in Community resource

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decisions concerning major national intelligence systems. The NIA would provide independent assessments regarding national intelligence on both substantive and resource matters, and he would task elements of the Community to aid him.

Under a variant, Option 3A discussed below, additional CIA production elements would be transferred to other departments, and the NIA would be cast in the role of "coordinator" of departmental intelligence.

PRIMARY CHANGES AND EFFECTS

Leadership of Community

The NIA would be charged with overall policy direction for the Intelligence Community, without direct line management or resource control over any of its operational elements. His authority would be vested in him through appointment by the President as an independent leader.

Operational Responsibilities

The NIA would have a staff similar to the present DCI Staff, i.e., NIOs and the IC Staff, but no operational responsibilities. Control of the NRP, the CCP, and GDIP would be continued under the Secretary of Defense. ExCom arrangements for the NRP would remain essentially unchanged. NSA would remain under DoD, with SIGINT activities now conducted by CIA, except those in direct support of agent operations, included in the CCP. Operational control of the CIAP would be vested in a Director, CIA.

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Resource Responsibilities

Development of program budgets would remain as a Departmental or Agency responsibility. The DGI in an advisory role would provide the President with an independent review of the entire intelligence budget as at present. Funds for the CIAP, the CCP, and the NRP would be appropriated to operating departments/agencies for reallocation to program managers.

Collection Responsibilities

The NIA would provide requirements guidance, review, and recommendations regarding national intelligence, but would lack resource control. The D/CIA would supervise all clandestine HUMINT collection activities, except those organic to combat units or in direct support of military activities.

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Production Responsibilities

The NIA would have no production organization, but would be responsible for providing guidance to the Intelligence Community as to intelligence needs and priorities, for the provision of direct support to the President, the NSC and Congress, and for the review and evaluation of the resulting national intelligence products. The NIA, through his NIO's, would coordinate and arrange for the production of National Intelligence Estimates with departmental elements. Under this option, any department would engage in intelligence production consistent with its mission. The NIA would coordinate the integration of the intelligence production activities.

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Committee Structure

The present committee structure, or some similar structure, with the NIA chairing appropriate committees would be needed.

Effects on Intelligence Product

Emphasizing departmental responsibility for production could lead to improved responsiveness to departmental heads. An inherent danger could be the diminution of an independent capability to produce and critique intelligence assessments.

Effect on Intelligence Management

This approach effectively removes the present conflicts between the DCI's roles as Community leader and as head of CIA, but it leaves him with neither budget nor operational authority to shape the programs of the Intelligence Community. However, through his chairmanship of USIB, the IRAC and ExCom or similar committees, the NIA would still have a significant role in Community resource decisions concerning major national intelligence systems.

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OPTION #3A

This option is identical in all respects to Option #3 except that, under this variant, present CIA production responsibilities and resources for intelligence analysis would be transferred to the relevant departments. The underlying assumption is that policy-makers would be better served by departmental producers than by a central agency.

The principal advantage of this option is that it would place primary stress on the value of strong participation in the production process by the relevant departments, thereby better linking producers and consumers of intelligence. The principal disadvantage of this option is that it would eliminate the presence of an independent analytical entity separate from policy-makers and thus independent of their operational or policy biases. There is also a question as to whether an NIA with only production coordination responsibilities could usefully serve as the senior intelligence adviser. This coordinator role was contemplated for the DCI with passage of the 1947 Act, but early Agency experience strongly suggests that coordination cannot be effectively accomplished unless the coordinator has direct access to a production capability which gives him an independent basis for judgment. Finally, this option casts doubt on the need for continued existence of a CIA, and thus raises questions about relocation of its clandestine capabilities.

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OPTION #4

CURRENT BASIC COMMUNITY RELATIONSHIP
CONTINUED, WITH SPECIFIC MODIFICATIONS

RATIONALE

Each of the three options discussed above will require basic changes in the National Security Act of 1947. It is uncertain that such changes can be accomplished without a major controversy within the Executive Branch and without major legislative changes. Thus, a series of proposals which can largely be accomplished within existing legislation, or with only minor changes in existing statutes, may have appeal. Second, the three options discussed above, and the variants to them all solve certain perceived problems but may create others.

Finally, it can be argued that Congressional legislative proposals are most likely to focus on the question of control of past abuses and only secondarily on major, largely unrelated, management and organizational changes. Much of what may be needed to reduce the potential for future abuses can be accomplished without considering major organizational change.

SUMMARY DESCRIPTION

Changes addressed in this option involve the establishment of a second full Deputy for the DCI. This would allow the use of one Deputy for line management of the CIA and a second Deputy to carry out the present Intelligence Community responsibilities assigned under the President's November 1971 letter. Changes could also be made to the existing committee structures

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regarding resources and to delegations of responsibility for production without changing the basic organization of the Community.

Present arrangements for policy direction of the NRP, including an Executive Committee chaired by the DCI with Defense participation, have helped assure that these programs meet the needs of all major consumers. The CCP and the CIA collection program, however, also serve national as well as departmental interests. With increased dependence on technical collection, a similar arrangement could be established for the CCP to ensure that consumer views are taken fully into account in tasking and processing. In any event, with one or more ExCom's, consideration can also be given to an ExCom review of CIA collection programs.

Since principals will remain essentially the same for consideration of NRP and CCP matters, consideration might be given to consolidating the two review functions within one ExCom.

Operational Responsibilities

The DCI would continue to be legally responsible for the operation of CIA. However, a second Deputy with responsibility for CIA management could absorb substantial responsibilities in this area.

Resource Responsibilities

No basic change from present practice would occur, except that establishment of an Executive Committee chaired by the DCI and charged with the responsibility of policy overview and resource review of the CCP

and CIA SIGINT activities could enhance the DCI's ability to influence the overall direction of these major programs.

Collection Responsibilities

No change.

Production Responsibilities

No change.

Committee Structure

Adjustments in the responsibilities of committees might be necessary in recognition of an enlarged ExCom.

Effect on Intelligence Product

This option would largely continue present arrangements. The DCI would continue as the single substantive intelligence officer to the President, and would retain unimpaired his Community-wide responsibility for national production estimates, current intelligence, crisis warning, and performance evaluation. Existing independent and competing production capabilities in Defense, CIA, and State would be retained. Structural changes at the leadership level in CIA should free the DCI to devote more of his attention to production issues.

This option leaves open the possibility of significant changes within departments. For example, it permits modest augmentation of INR's and Treasury's analytical capabilities, the assignment to NSA of a production role, adjustments between DIA and the services, and reestablishment of the

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office of National Estimates or of a "devil's advocate" staff, and thus preserves competition among production agencies.

Effect on Intelligence Management

As discussed under the summary description above, this option would clarify management arrangements within CIA and moderately enhance the DCI's ability to carry out his Community management and resource review responsibilities. This option would not, however, give the DCI new basic authority to deal with these responsibilities.

COVERT ACTION LOCATION

One last organizational issue cuts across all four options: the placement of a covert action capability. Covert actions were originally placed within the CIA to accompany its clandestine collection capabilities. Transfer to the State Department would endanger the primary activities of this overt service and be contrary to international diplomatic practices. Transfer to the Defense Department would raise public apprehension over accountability given the size and scope of the Department's activities. A number of observers have, however, strongly promoted placing the covert action capability in an entirely separate agency directly under the control of the NSC. They have argued:

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- If the covert action capability were isolated in a small agency, oversight would be easier; fewer resources and personnel would need to be kept under close supervision.
- The independent analytic capabilities of the CIA are biased because covert actions make it an operational agency. Covert actions create a departmental interest in the CIA which is contrary to its basic national functions.
- The CIA might be better able to attract analysts and scientists if it shed its "dirty-tricks" image which is closely connected to its covert action capability.

On the other hand, a number of strong arguments exist for retaining this capability in the CIA:

- Isolation, rather than improving possibilities for effective oversight, would create greater oversight problems by isolating this activity from conflicting agency demands and from agency supervision.
- During the brief period in the early 1950's when clandestine collection and covert actions were in separate offices, the two offices were in conflict for resources and attention, inevitable redundancy existed, and units worked at cross-purposes. That experience demonstrated the close connection in terms of contacts, methods, goals and support that is desirable between the two activities.

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- Mere shifting around within the government of the covert action capability will neither assuage public fears nor reduce attacks on the CIA. Outsiders will never believe that "dirty tricks" have been taken out of the CIA, and indeed, their perceptions may be somewhat accurate as the new organization would inevitably have to work closely with CIA clandestine collection activities.
- The need for cover, already a difficult problem, would be further aggravated by the requirement to increase the number of officials requiring cover status.

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VI. MANAGEMENT IMPROVEMENTS

Although organizational reforms can help solve many of the identified problems of the Intelligence Community, sustained management attention will also be required to resolve these problems. The study group identified some possibilities for management improvements in areas of particular significance which should contribute both to a prevention of abuses and to a better intelligence product.

A. Budgetary and Financial Controls

Financial and budgetary procedures provide an effective discipline in government operations for the President, the Congress, and the agencies. The lack of public perception of the budget and financial controls over intelligence activities contributes to the public and Congressional opinion that no system of checks and balances exists on the intelligence agencies within the Executive Branch or, for that matter, with the Congress.

In the present situation, while fiscal information on the intelligence agencies is contained in the President's budget, it is not openly identified. Centralized control over the financial execution of intelligence budgets is not exercised. There are two options by which the budget process could be strengthened. They are:

- Provision of a separate classified budget appendix by the President to the Congress that contained information similar to that provided for all other government activities; it would be prepared at the appropriate security level and would require special handling within

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the Congress. This option has the advantage of a formal Executive Branch initiative (within acceptable security bounds) to the Congressional request for more information. The primary arguments against this proposal involve the precedent setting nature of a formal budget submission for intelligence and the inevitable demand for more detailed information by Congress.

- Implementation of controls by OMB and the DCI on the apportionment, reprogramming, transfer, and outlays of intelligence funds, similar to those for other agencies. Initiation of these controls would increase OMB's involvement in the execution phase of the intelligence budget which is currently limited to the CIA reserves. Congressional reports have already identified the need for imposition of reprogramming controls on intelligence programs. Arguing against this proposal is the appropriateness of relying on budget control for effective direction of an organization rather than establishing objectives and measures of merit and evaluating achievements against them. Also, imposition of reprogramming controls could adversely limit the flexibility to respond to crisis situations.

These proposals for providing budgetary information to the Congress and enhancing the visibility of Presidential budgetary control may not be particularly effective in identifying abuses, but they would enhance public

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and Congressional confidence that the Intelligence Community is subject to the same set of checks and balances as all other agencies.

B. Compartmentation

Present arrangements for compartmenting sensitive information have impeded the flow of information to a significant number of consumers with a need to know. The NSC should assure itself that current Community studies of decompartmentation be intensified with an eye to improving consumer access to the intelligence product.

C. Consumer Interaction with the Intelligence Community

A number of improvements are required in the interactions of policy officials with the Intelligence Community:

- The NSC should undertake a more active program to improve consumer interactions with the Intelligence Community. Surveys should be undertaken to identify the strengths and deficiencies that consumers find in intelligence support (from the NIE's, for example) and to determine what actions the policy consumers and intelligence producers should take to ensure more useful intelligence contributions to the decision-makers.
- The NSC should specifically address problems identified in this report including the need for: guidance and feedback from decision-makers to the Intelligence Community; a better intelligence appreciation of those policy and negotiating issues which might benefit

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from intelligence inputs; and arrangements within the economic policymaking organizations required to promote a more effective interchange with the Intelligence Community. NSCIC should also address the special problem of the need for better dissemination of sensitive memoranda, reports, and telegraphic traffic to officials with a need to know.

D. Performance Evaluation System

There is a need, particularly in certain high cost areas, to develop measures which will permit a comparison of the value of certain intelligence contributions with their anticipated cost. The purpose of such measures is to ensure that intelligence collection and production are focused in a way which will achieve more effective expenditures in terms of consumer needs. These measures would be an important criterion in evaluating intelligence performance.

The DCI should intensify efforts, including consultations with consumers, to strengthen arrangements for evaluating Community performance.

E. Cover and Clandestine Collection

The NSC could be tasked to conduct an interagency study addressing both the effectiveness of present cover arrangements and the adequacy of coordination of clandestine collection.

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